

TOWNSHIP OF MENTOR
CHEBOYGAN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Mentor Township	County Cheboygan
Audit Date 3/31/04	Opinion Date 5/11/04	Date Accountant Report Submitted to State: 6/15/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan in Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

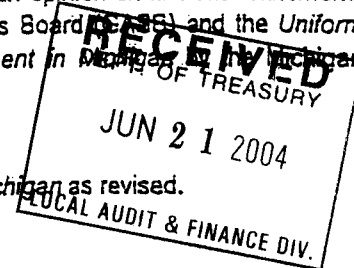
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Keskine, Cook, Miller, Smith & Alexander, LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature <i>Rachel Frisch</i>			



TOWNSHIP OFFICIALS

SUPERVISOR

PATTY MATTSON

CLERK

YVONNE RENSEL

TREASURER

PHYLLIS MATTSON

TRUSTEES

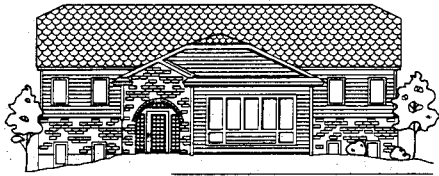
DON RENSEL

DENISE LEESE

MENTOR TOWNSHIP

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Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

May 11, 2004

To the Township Board
Mentor Township
Cheboygan County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Mentor, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Township of Mentor as of March 31, 2004, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2004.

The management's discussion and analysis on pages 3-5 and budgetary comparison information on pages 22-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

KK Cook Miller Smith & Alexander LLP
KESKINE, COOK, MILLER, SMITH & ALEXANDER, LLP

Patty Mattson, Supervisor
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Wolverine MI 49799
phone 231-525-8778
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Yvonne Rensel, Clerk
7650 S Straits Hwy
Indian River, MI 49749
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Phyllis Mattson, Treasurer
9664 S Straits Hwy
Wolverine MI 49799
phone 231-525-8641

MENTOR TOWNSHIP

Donald Rensel, Trustee
7650 S Straits Hwy
Indian River MI 49749
phone 231-238-7897

Denise Leese, Trustee
11429 Bilder Rd
Wolverine MI 49799
phone 231-525-8445

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Mentor Township annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Our financial status remained stable over the last year.

Overall revenues were approximately \$98,000, of which \$2,000 is classified as a program revenue, and \$96,000 is classified as general revenues (consisting primarily of state shared revenues and property taxes). Total revenues have decreased 5 percent due to the cutbacks in state shared revenue. Overall expenses totaled \$72,786, which is consistent with the prior year. The activities of the Township have remained the same.

The Township's total taxable value increased by 8.1 percent, from \$19,517,460 in the 2002 tax year to \$21,108,551 in the 2003 tax year.

Overview of the Financial Statements

This annual report consists of three parts, management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the entity.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the general fund (the only fund of the Township).

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases/decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

Governmental Funds: All of the entity's activities are included in one fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

Financial Analysis of the Township as a Whole

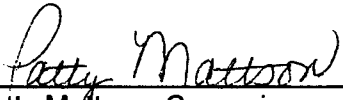
Net Assets - the Township's net assets increased by \$25,553 during the year ended March 31, 2004 totaling at year-end \$225,684. The positive change in net assets is due primarily to an increase property tax dollars, special assessment collections, and reimbursements from the State of Michigan.

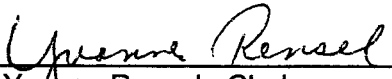
Known Factors affecting Future Operations

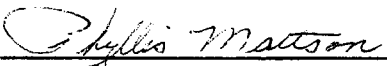
As always, we are working with the Road Commission to maintain the roads for the safety of those that travel them. Funding provided by the State of Michigan to the Road Commission is being cut, the Road Commission is passing those cuts on to us. The State of Michigan is also cutting the funds that we receive directly through revenue sharing and PILT.

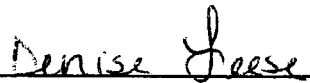
Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board.


Patty Mattson, Supervisor


Yvonne Rensel, Clerk


Phyllis Mattson, Treasurer


Denise Leese, Trustee


Donald Rensel, Trustee

**TOWNSHIP OF MENTOR
STATEMENT OF NET ASSETS
MARCH 31, 2004**

ASSETS

Current Assets:

Cash and Investments	\$ 180,924
Property Taxes Receivable - Due from County	3,370
Special Assessments Receivable	2,328
	<hr/>
Total Current Assets	186,622

Non-Current Assets:

Property, Plant and Equipment	43,467
	<hr/>
Total Assets	230,089
	<hr/>

LIABILITIES

Payroll Withholding and Liabilities	4,405
	<hr/>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	43,467
Unrestricted	182,217
	<hr/>
Total Net Assets	\$ 225,684
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See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004**

	P R O G R A M R E V E N U E S				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES					
Township Administration	\$ (42,555)	\$ -	2,338	\$ -	\$ (40,217)
Assessing	(9,542)	-	-	-	(9,542)
Building and Grounds	(3,944)	-	-	-	(3,944)
Cemetery	(300)	-	-	-	(300)
Community Promotion	(2,197)	-	-	-	(2,197)
Fire Protection	(14,248)	-	-	-	(14,248)
Total Governmental Activities	(72,786)	-	2,338	-	(70,448)
GENERAL REVENUES					
Property Taxes					19,912
Property Tax Administration Fee					3,976
State of Michigan Revenue Sharing (not restricted to specific purpose)					54,042
Swamp Tax					11,976
Interest Earnings					6,095
Total General Revenues					96,001
CHANGE IN NET ASSETS					25,553
NET ASSETS - BEGINNING OF YEAR					200,131
NET ASSETS - END OF YEAR					\$ 225,684

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2004**

ASSETS

Cash and Investments	\$ 180,924
Property Taxes Receivable - Due from County	3,370
Special Assessments Receivable	2,328
	<hr/>
Total Assets	186,622
	<hr/> <hr/>

LIABILITIES AND FUND EQUITY

Liabilities:	
Payroll Withholding and Liabilities	4,405
Deferred Revenue	2,328
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Total Liabilities	6,733
	<hr/>
Fund Equity:	
Fund Balance	179,889
	<hr/>
Total Liabilities and Fund Equity	\$ 186,622
	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2004**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 8)	\$	179,889
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Amounts reported for governmental activities in the Statement of
Net Assets (page 6) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not used in the funds		43,467
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The fund financial statements do not recognize revenue until it is measurable and available; the government-wide statements record revenue as it is earned, regardless of when it is collected. This amount represents the revenue that has been deferred in the fund statements and recognized as revenue in the government-wide statements		2,328
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 6)	\$	225,684
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See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED MARCH 31, 2004**

REVENUES

Taxes and Assessments	\$ 32,333
State Shared Revenues and Reimbursements	56,380
Charges for Services	5,454
Interest	6,096

Total Revenues	100,263
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EXPENDITURES

General Government	54,778
Public Safety	13,623
Cultural	2,197

Total Expenditures	70,598
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Excess of Revenues Over Expenditures	29,665
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Fund Balance - Beginning of Year	150,224
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Fund Balance - End of Year	\$ 179,889
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See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS - PAGE 10	\$	29,665
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Amounts reported for governmental activities in the Statement of Activities (page 7) are different because:

Depreciation expense is recorded in the government-wide statements but not the fund financial statements		(2,188)
Some revenues reported in the government-wide statements are not considered available for the fund financial statements are and therefore not recognized		(1,924)

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES - PER STATEMENT OF ACTIVITIES - PAGE 7	\$	25,553
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See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2004**

ASSETS		
Cash	\$	-
		<hr/>
LIABILITIES		
Due to Other Governments		-
		<hr/>
NET ASSETS		
Net Assets Held in Trust for Other Governments	\$	-
		<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED MARCH 31, 2004**

ADDITIONS

Property Taxes Collected for Mentor Township	\$ 21,396
Property Taxes Collected for Other Units of Government	437,161
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Total Additions	458,557
	<hr/>

DEDUCTIONS

Property Taxes Paid Out to Mentor Township	21,396
Property Taxes Paid Out to Other Units of Government	437,161
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Total Deductions	458,557
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Change in Net Assets	-
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Net Assets - Beginning of Year	-
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Net Assets - End of Year	-
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See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE A: ENTITY

The Township of Mentor, organized in 1882, is a general law township of the State of Michigan, located in Cheboygan County. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment, and human services. The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Mentor Township.

JOINT VENTURE

The Wolverine Joint Fire Board is a joint venture created November 9, 1999 by Ellis, Mentor, Nunda & Wilmot Townships, Cheboygan County, Michigan. The Wolverine Joint Fire Board is organized under PA 7 of 1967 and PA 365 of 1982 of the Michigan Compiled Laws. The board was organized to better serve the citizens of the townships and the Village of Wolverine. An individual township may withdraw from the agreement with a 12-month prior notice. The agreement expires April 1, 2010 and may be renewed, revised or cancelled by a separate majority vote of the townships participating at that time.

The Department is under the control of a Board consisting of two members from each Township and a member residing in the Village of Wolverine. Each township appoints two Board members and an at large member is selected from the Village of Wolverine. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief and their respective municipal boards.

Funding for the Fire Board's operations is largely provided by an assessment to each township approximately equal to a 1 mill levy on the taxable value of the geographical area covered. The Joint Fire Board's boundaries include all of Wilmot and Nunda Townships and parts of Mentor & Ellis Townships.

The Wolverine Joint Fire Board is audited under separate cover. Financial statements can be obtained at the Mentor Township hall.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Mentor Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies of Mentor Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2003, are recorded as revenue in the current year. The Township's taxable value for the 2003 tax year totaled \$21,109,551.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The tax rates for the year ended March 31, 2004, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.8740 mills per \$1,000

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 40
Land Improvements	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note D.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

At this time, the Township has no outstanding long-term debt.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE C: CASH AND INVESTMENTS

Cash consists of bank accounts and certificates of deposit.

All cash deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

- Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.
- Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.
- Category 3 – Uncollateralized.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE C: CASH AND INVESTMENTS (CONTINUED)

	<u>BANK BALANCE</u>	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
General	<u>\$ 188,648</u>	<u>\$ 188,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,924</u>
Trust & Agency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE D: CAPITAL ASSETS

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>	<u>CAPITAL ASSETS DEPRECIATED</u>			
	<u>Land</u>	<u>Buildings</u>	<u>Data Handling Equipment</u>	<u>Land Improvements</u>	<u>Totals</u>
Governmental Activities					
<i>Capital Assets</i>					
Balance, April 1, 2003	\$ 4,004	\$ 51,546	\$ 2,138	\$ 9,091	\$ 66,779
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, March 31, 2004	<u>4,004</u>	<u>51,546</u>	<u>2,138</u>	<u>9,091</u>	<u>66,779</u>
<i>Accumulated Depreciation</i>					
Balance, April 1, 2003	-	15,223	1,710	4,191	21,124
Increases	-	1,306	428	454	2,188
Decreases	-	-	-	-	-
Balance, March 31, 2004	<u>-</u>	<u>16,529</u>	<u>2,138</u>	<u>4,645</u>	<u>23,312</u>
Capital Assets, Net	<u>\$ 4,004</u>	<u>\$ 35,017</u>	<u>\$ -</u>	<u>\$ 4,446</u>	<u>\$ 43,467</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

Township Administration	\$ 428
Buildings and Grounds	<u>1,760</u>
Total	<u>\$ 2,188</u>

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE E: FUND BALANCE/NET ASSETS

CALCULATION OF BEGINNING NET ASSETS

The Township adopted GASB Statement No. 34 effective April 1, 2003. The following represents the reconciliation of the Townships fund balance as of April 1, 2003, to its beginning net assets balance, as presented in the Statement of Activities, for the year ended March 31, 2004:

Total Fund Balance, April 1, 2003	\$ 150,224
Record capital assets	66,779
Record accumulated depreciation	(21,124)
Reverse special assessment deferrals	<u>4,252</u>
Beginning Net Assets, April 1, 2003	<u>\$ 200,131</u>

NOTE F: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF MENTOR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Local Sources:				
Current Taxes and Assessments	\$ 22,200	\$ 22,200	\$ 21,834	\$ (366)
Property Tax Administration Fee	4,600	4,600	3,977	(623)
Swamp Tax	11,900	11,900	11,976	76
Interest on Investments	1,500	1,500	6,096	4,596
State Sources:				
State Revenue Sharing	58,000	58,000	54,042	(3,958)
Summer Tax Collection Reimbursement	2,350	2,350	2,338	(12)
Total Revenues	100,550	100,550	100,263	(287)
EXPENDITURES				
General Government:				
Wages:				
Trustee	4,000	4,000	4,000	-
Supervisor	4,800	4,800	4,800	-
Clerk	8,500	8,500	8,500	-
Assessor	8,500	8,500	8,500	-
Board of Review	1,000	930	810	120
Treasurer	8,500	8,500	8,500	-
Elections	600	600	-	600
Fringe Benefits	5,375	5,375	4,015	1,360
Office Supplies	2,950	2,735	2,099	636
Postage	300	330	133	197
Meetings - Per Diem	6,480	6,332	5,385	947
Legal and Professional	200	200	-	200
Communications	300	300	5	295
Travel	2,550	2,640	1,877	763
Education	750	820	290	530
Bonds and Insurance	2,700	2,714	2,714	-
Dues	500	554	553	1
Office Equipment	500	500	114	386
Cemetery Contractual	500	500	300	200
Bldg. Maintenance and Utilities	2,700	2,700	2,183	517
Total General Government	61,705	61,530	54,778	6,752
Public Safety -				
Fire Protection	14,000	13,975	13,623	352
Highways and Streets	77,000	77,000	-	77,000

**TOWNSHIP OF MENTOR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Social Welfare	3,000	3,200	2,197	1,003
Total Expenditures	155,705	155,705	70,598	85,107
Excess (Deficiency) of Revenues over Expenditures	(55,155)	(55,155)	29,665	84,820
Fund Balance - Beginning of Year	150,224	150,224	150,224	-
Fund Balance - End of Year	95,069	95,069	179,889	84,820